United Nations A/52/338/Add.1

General Assembly

Distr.: General
4 June 1998

Original: English

Fifty-second session
Agenda items 114 and 118

Review of the efficiency of the administrative and financial functioning of the United Nations

Joint Inspection Unit

Note by the Secretary-General

Addendum

The Secretary-General has the honour to transmit to the General Assembly the comments of the Administrative Committee on Coordination on the report of the Joint Inspection Unit entitled "The challenge of outsourcing for the United Nations system" (A/52/338).

98-16270 (E) 120698

Annex

Comments of the Administrative Committee on Coordination

1. The report of the Joint Inspection Unit (JIU) offers a good overview of the subject of outsourcing in the United Nations system. However, the summary data provided in the table annexed to the report is with respect to 1995 activities and is, therefore, not up to date. In addition, the table does not fully reflect the use of outsourcing by organizations, owing to the inconsistent and not fully comprehensive data on which it is based, as stated in paragraph 8 of the report. Accordingly, organizations caution against any use of the data to make comparisons between organizations, or even to draw conclusions as to the current status of any one organization's use of outsourcing. This data should not be considered as baseline data for any future updates of the study.

2. The report characterizes the current approach to outsourcing by many organizations as passive and "reactive", rather than proactive, and attributes this state of affairs to the lack of explicit policies in this area. While explicit policies may not be in place in all organizations, outsourcing has been actively used for many years. Individual line managers are expected to exercise their professional responsibilities in evaluating the various options available to them in addressing operational problems; they take any decisions to outsource with due consideration of existing in-house capacity, cost-effectiveness, quality and control issues. Use of outsourcing is covered by existing controls and procedures and, in the absence of explicit policies, by implicit policies. Outsourcing should be seen as only one of the many options considered by managers in seeking to provide cost-effective and quality services in support of their organizations' mandates. Organizations which at present do not have explicit policies on outsourcing will give serious consideration to developing appropriate policies in this area.

3. Organizations agree that it would be useful to have a system-wide definition of outsourcing and that they will continue to share experiences in the use of outsourcing. Exchange of information between organizations is already taking place via the Administrative Committee on Coordination (ACC) machinery, with the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) regularly discussing at its sessions the subject of productivity improvements, including outsourcing. Member organizations are already coordinating outsourcing activities in a number of areas, in some cases, sharing common services or taking advantage of spare capacity that may be offered by one organization to others on a cost-recovery or fee basis.

4. However, it must also be recognized that differences between individual organizations with respect to mandates, operational environment and business practices dictate different approaches to outsourcing. Therefore, each organization must be free to develop a policy appropriate to its own circumstances. The JIU report raises some valid issues and it is agreed that particular attention should be paid to the need to ensure in-house "core" competencies and the ability to manage and control outsourced activities. Due attention should be given to the issues of any negative impacts on staff and to the need to respect the international character of United Nations system organizations.

5. Organizations do not believe that it is appropriate for legislative organs to become involved in reviewing and approving policies in this area. Any mandated review and reporting schedule specifically focused on outsourcing would involve additional cost to organizations and inappropriate micro-management by governing bodies. Organizations' budget proposals already reflect the use of outsourcing; it should be up to each executive

head to decide on appropriate management control and reporting systems to ensure that legislative organs receive adequate information in all areas including outsourcing.

6. In the light of the budgetary constraints facing organizations and competition for scarce resources, it is not considered appropriate to appoint specific outsourcing "facilitators". It should be noted that the United Nations has appointed an Executive Coordinator for Common Services and ACC member organizations will be interested in the outcome of the ongoing review by the United Nations of existing practices in the 11 service areas selected. While each organization should decide on the optimum use of available managerial resources, including the extent to which special attention may be given to increasing outsourcing, appropriate attention will be given to exploring possibilities for joint and coordinated actions among the various United Nations organizations.